

## SETTLEMENT AGREEMENT

WHEREAS, the United States Attorney's Office for the Central District of California is conducting an investigation of certain transactions involving Giancarlo Parretti ("Parretti") and Florio Fiorini ("Fiorini") in connection with, *inter alia*, their acquisition of control of The Cannon Group, Inc. ("Cannon"), the name of which was changed to Pathe Communications Corporation ("PCC"); their acquisition of MGM/UA Communications Co. ("MGM"); and their management of Cannon, PCC and MGM-Pathe Communications Corporation ("MGM-Pathe");

WHEREAS, in the course of that investigation, the United States has investigated the role of Credit Lyonnais S.A. ("CLSA"), Credit Lyonnais Bank Nederland N.V. ("CLBN"), and certain present and former CLSA and CLBN officers with respect to CLSA's and CLBN's lending to Cannon, PCC, MGM-Pathe and other companies controlled by or related to Parretti and Fiorini (collectively the "Parretti and Fiorini Groups") during the period 1987 to 1991;

WHEREAS, Consortium de Realisation ("CDR") was created pursuant to a statute to resolve CLSA's bad debts, in accordance with an Agreement dated April 5, 1995, between the Republic of France and CLSA, and thereafter CDR took over operating control of the film and Parretti and Fiorini related loan portfolios of CLBN;

WHEREAS, pursuant to a Purchase Agreement dated August 16, 1995, Generale Bank N.V. ("Generale Bank") acquired the stock of CLBN owned by CLSA, and renamed the bank Generale Bank Nederland N.V. ("GBN");

WHEREAS, CLBN was the principal source of financing for Parretti and Fiorini's acquisition of control of Cannon during the period 1987 through 1989;

WHEREAS, Parretti and Fiorini changed the name of Cannon to Pathe Communications Corporation in early 1989;

WHEREAS, CLBN was also the principal source of financing for PCC's subsequent acquisition of MGM/UA, which was completed in November 1990;

WHEREAS, PCC's acquisition of MGM/UA resulted in the formation of a new subsidiary named MGM-Pathe, which combined the assets and operating subsidiaries of PCC and MGM/UA;

WHEREAS, within five months of the completion of the MGM/UA acquisition, MGM-Pathe's creditors filed a petition to have the company placed into involuntary bankruptcy;

WHEREAS, CLBN provided new loans to permit MGM-Pathe to survive, commenced legal proceedings against Parretti and his associates which resulted in their removal from the management of MGM-Pathe, and referred evidence of fraud by Parretti and his associates to the United States Attorney's Office for the Central District of California;

WHEREAS, CLSA and CDR acknowledge that CLSA's prior management did not adequately control the activities of CLBN in its lending to the Parretti and Fiorini Groups;

WHEREAS, CLSA and CDR acknowledge that the United States has presented substantial evidence that:

- a. Certain former CLBN officers exercised bad judgment in their dealings with Parretti and Fiorini;
- b. Two former CLBN officers and one CLSA officer who oversaw CLBN's lending to the Parretti and Fiorini Groups accepted items of value from Parretti and Fiorini, and became too closely associated with Parretti and Fiorini;
- c. Certain former CLBN officers breached bank policies, procedures and practices in lending to the Parretti and Fiorini Groups;

WHEREAS, the United States has advised CLSA and CDR that it believes there is substantial evidence that at least one former CLBN officer engaged in intentional wrongdoing with Parretti and Fiorini in transactions involving PCC that may have violated United States laws, and that there is credible evidence that at least one former CLSA officer approved and/or ratified such actions knowing (or deliberately avoiding learning) that the CLBN officer was engaged in such intentional wrongdoing with Parretti and Fiorini;

WHEREAS, CLSA and CDR acknowledge that the United States has presented substantial evidence that at least one former CLBN officer engaged in intentional wrongdoing with Parretti and Fiorini that may have violated United States laws;

WHEREAS, CLSA and CDR further acknowledge that the United States has presented credible evidence suggesting that at least one former CLSA officer approved and/or ratified some of the actions of the aforementioned former CLBN officer, knowing (or deliberately avoiding learning) that the former CLBN officer was engaged in intentional wrongdoing with Parretti and Fiorini that may have violated United States laws;

WHEREAS, the Republic of France is conducting its own investigation of Credit Lyonnais and certain of its subsidiaries;

WHEREAS, CLSA and CDR are not in a position to judge the weight of the evidence presented by the United States, and believe that this evidence and other evidence both inculpatory and exculpatory ("a' charge et a' decharge") relevant to these issues is properly referred to the French authorities to resolve whether any former CLBN or CLSA officer engaged in intentional wrongdoing;

WHEREAS, in accordance with its past practices, CDR will make such a referral;

WHEREAS, CLSA regrets and accepts responsibility for the conduct of the prior management of CLBN and for the failure of CLSA's prior management to better supervise and control CLBN's lending to the Parretti and Fiorini Groups;

WHEREAS, CLSA also regrets and accepts responsibility for any consequences in the United States that this conduct and lack of supervision may have caused;

WHEREAS, the bank officers who oversaw CLBN and CLSA's lending to the Parretti and Fiorini Groups are no longer employed by or associated with CLSA;

WHEREAS, CLSA spent more than US \$1,500,000,000 to help restore MGM-Pathe (later renamed MGM) to financial viability after Parretti and Fiorini acquired the studio in November 1990, and before it was sold in 1996;

WHEREAS, CLSA and CDR have made substantial efforts to make United States interests whole, expending approximately US \$2,000,000,000 (net of amounts received from the sale of MGM) on the bail-out and rehabilitation of MGM and payments to PCC shareholders and bondholders, including:

- (a) Providing US \$145,000,000 to rescue MGM-Pathe from bankruptcy in April, 1991;
- (b) Providing funds in excess of US \$2,000,000,000 for MGM to continue its operations from April, 1991 to September 30, 1996 when it was sold;
- (c) Paying over US \$352,000,000 to the MGM-Pathe bondholders to pay interest due on the bonds and to then redeem the bonds at more than 100 cents on the dollar;
- (d) Making a tender offer of \$1.50 per share for all minority owned PCC shares (approximately 5,800,000 shares); and
- (e) Paying in 1992 all overdue interest on PCC bonds and making a tender offer of 42 - 47 cents on the dollar for such bonds.

WHEREAS, there have been substantial changes in the management and operations of CLSA since the events under investigation took place, including, inter alia, a total change of senior management, the establishment of a new Executive Committee and a decision to refocus CLSA on its traditional activities;

WHEREAS, CLSA's current management has provided assurances to the United States that concrete actions have been taken to prevent recurrence of the types of problems, irregularities and improprieties that existed in CLBN and CLSA's lending to the Parretti and Fiorini Groups, including the implementation of internal policies and procedures relating to lending to related entities, the improvement of reporting rules, the assessment of clients' risk and control thereof at the CL Group level and the reinforcement of CLSA's control and supervision of its French and foreign subsidiaries;

WHEREAS, CLSA has provided extensive documentation to the United States in compliance with grand jury subpoenas, CLSA has voluntarily produced information to the United States Attorney's Office in connection with this investigation, and, as set forth below, CLSA and CDR have agreed to cooperate fully in the investigation;

WHEREAS, the United States has concluded that it would be inappropriate to seek criminal charges against CLSA, CDR and/or GBN for the acts under investigation in light of, among other things:

- a. The amount of money CLSA and CDR spent in attempting to restore MGM to financial viability;
- b. The efforts of CLSA and CDR to make United States interests whole;
- c. CLSA and CDR's agreement to cooperate fully in the federal government's investigation in this case, and CLSA and CDR's voluntary cooperation in a separate investigation of the activities of another former CLSA subsidiary; and
- d. CLSA and CDR's willingness to refer issues raised by the federal government's investigation in this case to French authorities for their consideration.

IT IS THEREFORE AGREED between the United States of America, through its counsel, the United States Attorney's Office for the Central District of California, on the one hand, and CLSA and CDR, on the other hand, that a resolution of the above-described investigation shall be effected on the following terms:

**A. Definitions**

1. As used herein, "acts under investigation" means: (a) all acts and omissions during the period 1987 through and including 1994, relating to any transactions between or involving CLSA or CLBN or their present or former subsidiaries or affiliates, on the one hand, and Cannon, PCC, MGM-Pathé, their present or former subsidiaries and affiliates, Parretti, Fiorini, or any of the entities listed in Appendix A, on the other hand; (b) any acts or omissions relating to the formation, acquisition, or ownership of Epic Picture Enterprises, Inc., Epic Productions, Inc., Epic Holdings, Inc., Formax B.V., or Route of the Stars S.A.; and (c) any acts or omissions relating to the preparation or presentation of CLSA's or CLBN's financial statements during the period 1987 through and including 1994.

2. As used herein, "Effective Date" means the day on which the payment referred to in paragraph B.3, below, has been received by the United States.

**B. Covenants by CLSA and CDR**

3. On or before the Effective Date, CLSA and/or CDR will pay US \$4,000,000 to the United States, as a sharing of the costs of investigation, and as a settlement (a) for acceptance of responsibility for the failure of CLSA's prior management to better supervise and control CLBN's lending to the Parretti and Fiorini Groups, and (b) for the conduct of a former CLBN officer relating to transactions involving Parretti, Fiorini and PCC.

4. CLSA and CDR will cooperate in the federal government's ongoing investigation by:

- a. Voluntarily producing documents supplemental to the documents already produced, as requested by the United States;
- b. Using their best efforts to cause GBN to respond to further document requests;
- c. Providing existing translations of foreign language documents to be produced;
- d. Making representatives of Cabinet Mazars ("Mazars") and counsel for CLSA and CLBN (subject to resolution of issues of privilege) available to provide technical assistance, with the understanding that Mazars and such counsel will not be required to undertake new or additional investigations;
- e. Providing qualified custodians of records with respect to the documents already produced or to be produced; and
- f. Using their best efforts to make present and former CLSA and CLBN employees available as trial witnesses and for pre-trial preparation; provided, however, that neither CLSA nor CDR are under any obligation (but may nevertheless choose) to pay for the travel and lodging of such employees or to pay for counsel for such employees.

5. The obligations of CLSA and CDR under paragraph 4, above, shall terminate 24 months after the Effective Date.

6. In the event that either CLSA or CDR materially breaches the provisions of paragraph 4, above, prior to termination of its obligations under such paragraph, the United States may demand payment from CLSA or CDR of a penalty of up to US \$150,000 for each breach, the amount to be fixed by the United States with due regard to the nature of the breach; provided, however, that in no event shall CLSA and CDR together be required to pay more than a total of US \$3,000,000 pursuant to this paragraph.

a. In the event that the United States believes that CLSA or CDR has materially breached the provisions of paragraph 4, the United States shall first provide CLSA and CDR with written notice of such breach and CLSA and CDR shall have 45 days to cure any such breach.

b. If CLSA and CDR cure any such material breach within 45 days of the receipt of written notice, no penalty shall be payable.

c. If CLSA and CDR fail to cure any material breach, CLSA and/or CDR shall make payment within 90 days of receipt of written notice of the breach.

d. In the event CLSA or CDR does not make payment as specified in subparagraph 6.c, above, the United States may initiate an action in the United States District Court for the Central District of California seeking to collect such payment and for costs and attorneys' fees incurred in connection with such action.

e. In such a proceeding, the following agreements and stipulations will apply:

(i) CLSA and CDR will waive all challenges to, and arguments against, personal and subject matter jurisdiction;

(ii) CLSA and CDR will designate the Los Angeles, California office of White & Case as agents for service of process;

(iii) All substantive issues of law will be governed by federal law, or, in the absence of applicable federal law, by California law; and

(iv) The United States will have the burden of proving the alleged breach, and CLSA or CDR's failure to cure any such breach, by a preponderance of the evidence.

7. CLSA (either directly or through principles of vicarious corporate criminal liability) shall not commit any federal, state or local felony offense in the United States during an 18-month period following the Effective Date.

8. In the event CLSA violates the provisions of paragraph 7, above, the United States may demand payment by CLSA or CDR of up to US \$500,000 for each felony offense committed by CLSA, the amount to be fixed by the United States with due regard for the nature of the violation; provided, however, that in no event shall CLSA and CDR together be required to pay more than US \$7,500,000 pursuant to this paragraph.

a. CLSA or CDR will make payment within 45 days of receipt of written demand from the United States.

b. The United States may make written demand up to 24 months following the Effective Date; thereafter, any written demand will be ineffective.

c. CLSA or CDR shall notify the United States promptly if CLSA is charged with any federal, state or local felony offense.

d. CLSA or CDR shall also notify the United States promptly if a CLSA, CDR or Credit Lyonnais (U.S.A.) chairman, general manager, director or deputy director, or a member of the general counsel's office of CLSA, CDR or Credit Lyonnais (U.S.A.), becomes aware that a CLSA employee has been charged with any federal, state or local felony offense for acts relating to his employment; provided that such notice shall not be deemed an admission of wrongdoing.

e. In the event CLSA or CDR does not make payment as specified in subparagraph 8.a, the United States may initiate an action in United States District Court in the Central District of California seeking to collect such payment and for costs and attorneys fees incurred in connection with such action.

f. In such a proceeding, the following agreements and stipulations will apply:

(i) CLSA and CDR will waive all challenges to, and arguments against, personal and subject matter jurisdiction;

(ii) CLSA and CDR will designate the Los Angeles, California office of White & Case as agent for service of process;

(iii) Either the United States or CLSA or CDR may move to stay the proceeding pending resolution of any underlying criminal case;

(iv) All substantive issues of law will be governed by federal law, or, in the absence of applicable federal law, by California law; and

(v) In the absence of a formal criminal proceeding against CLSA, the government's burden of proof to establish that CLSA committed a federal, state or local felony offense will be by clear and convincing evidence.

g. CLSA and CDR's obligations under paragraph 8, shall terminate in the event there is, and upon, a sale of a 51% or greater ownership interest in CLSA to a third party or third parties, pursuant to the agreement with the European Commission concerning the privatization of CLSA.

#### C. Covenants by the United States

9. The United States agrees not to seek criminal charges, or to bring a criminal forfeiture action for violating United States law, for the acts under investigation, against:

- a. CLSA or any CLSA subsidiary or affiliate;
- b. CLBN or GBN; and
- c. CDR or any subsidiary or affiliate.

10. The United States agrees not to seek criminal charges or bring a criminal forfeiture action for violating United States law, for the acts under investigation, against any present or former employee of CLSA, CLBN or GBN. However, to the extent that any present or former employee of CLSA, CLBN or GBN enters into a cooperation agreement with the United States, such agreement may provide that such individual may be subject to prosecution for breach of that agreement, and this Agreement shall not preclude any such prosecution.

#### D. General Provisions

11. This Agreement is binding only upon CLSA, CDR and the United States Department of Justice.

12. Nothing in this Agreement shall be construed as precluding the United States from transferring prosecution of, or referring evidence relating to, any present or former CLSA or CLBN employee to the French authorities.

13. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.



Appendix A  
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- yy. St. Pauls Holdings N.V.
- zz. TGP 64 Ltd.
- aaa. TGP 123 Ltd.
- bbb. TGP 160 Ltd.
- ccc. Transmarine Holdings S.A.
- ddd. Transreal Holding S.A.
- eee. Tranwood Earl Ltd.
- fff. Viajes Melia S.A.
- ggg. Viola Trading S.A.
- hhh. V.M.P. Video Median Pool A.G.
- iii. V.M.P. Video Medien Pool Produktion und Vertriebs G.m.b.h.